

# NATIONAL ECONOMIC RESEARCH ASSOCIATES

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Docket No. 02-0067  
Exhibit KAM-1

## KARL A. MCDERMOTT

### BUSINESS ADDRESS

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Dr. Karl McDermott is a Vice President with National Economic Research Associates, specializing in public utility regulation. Since Dr. McDermott came to NERA he has directed and participated in numerous projects in both the energy and telecommunications areas. His main focus has been the development of performance-based regulation mechanisms and advising clients on strategic regulatory options. Recent projects include evaluating and developing performance-based regulation plans and strategic regulatory options for Wisconsin Electric, Xcel Energy, Otter Tail Power, Peoples Energy, Louisville Gas and Electric and PowerGen along with MidAmerican Energy. In addition, Dr. McDermott also advises clients on competitive electric and gas markets including regulatory policy, generation location decisions, unbundling, tariff design and corporate reorganization. Recent projects include a examination of essential facilities debate for the Edison Electric Institute, tariff design and competitive electric generation sitting for Southern California Gas Company and Southern Energy, and a review of unbundling of metering and billing for Commonwealth Edison Company. Dr. McDermott has testified before numerous state regulatory commissions and legislatures along with the FCC and FERC.

Prior to arriving at NERA, Dr. McDermott served as Commissioner on the Illinois Commerce Commission during the negotiation of the Illinois restructuring law. He has also assisted the country of Poland since 1994 with their efforts to privatize and restructure their electric supply industry. As a Commissioner, Dr. McDermott also lectured extensively in Eastern Europe and South America on regulatory reform and restructuring.

During the six years that he served as Commissioner he has had an opportunity to evaluate alternative regulation proposals and the economic and social impacts of a number of new policies presented to the Commission. As a Commissioner, Dr. McDermott initiated the Commission's investigation into the alternative restructuring options and has made a number of presentations on restructuring issues.

Dr. McDermott received a B.A. in Economics from Indiana University of Pennsylvania, a M.A. in Public Utility Economics at the University of Wyoming, and a Ph.D. in Economics from the University of Illinois at Urbana-Champaign.

## EDUCATION

Ph.D. 1990, Economics, University of Illinois at Urbana-Champaign  
M.A. 1978, Public Utility Economics, University of Wyoming  
B.A. 1976, Economics, Indiana University of Pennsylvania

Dissertation Topic: The Monetary Theory of Production of  
John Maynard Keynes

## Additional Education

Michigan State Public Utility Course; Michigan State University

Seminar on Austrian Economics at Marquette University, Milwaukee, Wisconsin,  
conducted by the Institute of Humane Studies, Menlo Park, California

State of Illinois; Certificates in SPSS and advanced SPSS Computer Software Classes  
and TSO Operations

Illinois Bell Telephone Seminars on Separations and Settlements, Embedded Direct  
Analysis (EDA), Costs and Demand Analysis, and Engineering Characteristics of  
Telecommunication System

## EMPLOYMENT

1999- NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC.  
Vice President.

Directs projects in the energy and telecommunications fields in NERA's energy and  
telecommunications practices. Representative projects include:

- **Wisconsin Electric Power Company:** Dr. McDermott has provided advice and analysis to WEPCO for several years including issues related to industry structure, energy efficiency and electric performance-based regulation.
- **Otter Tail Power Company:** Conducted analysis on the appropriateness of electric performance-based regulation plan including providing testimony to the North Dakota Public Service Commission.
- **MidAmerican Energy Company:** Dr. McDermott has provided strategic advice and analysis to MidAmerican for several years including providing analysis and testimony on performance-based regulation for gas procurement.
- **Northern States Power d/b/a Xcel Energy:** Conducted analysis on the appropriateness of electric performance-based regulation plan including providing testimony to the North Dakota Public Service Commission.
- **Illinois Power Company:** Provided strategic advice on unbundling of residential retail rates earlier this year in anticipation of the retail access.

- **Northern Indiana Public Service Company:** Dr. McDermott lead a team that provided analysis of the Midwest wholesale electric market. (material confidential)
- **Southern California Gas Company:** Performed analysis of peaking rate design for gas partial bypass customers including providing testimony before the CPUC.
- **Commonwealth Edison Company:** Provided testimony on the appropriate avoided cost calculations for the unbundling of metering services in Illinois.
- **Peoples Gas Company:** Provided strategic advice related to regulatory and commercial issues.
- **Albania:** Conducted a market restructuring study detailing strategies for liberalization of the Albanian electric sector.
- **Macedonia:** Lead team that provided analysis on options for electric sector liberalization including options for market structure and detailed recommendations for tariff methodology for generation and

1998-1999      MCDERMOTT ASSOCIATES  
President.

Worked for various clients in the electric, and telephone industry including the Edison Electric Institute, Georgia Power Co., Bell Atlantic, L. E. Burgess Consultants and the United States Energy Association.

1992-1998      ILLINOIS COMMERCE COMMISSION  
Commissioner.

Domestic:

Served as Chairman of both the Telecommunications Policy Committee and Electricity Policy Committee. Served on the National Association of Regulatory Utility Commissioners (NARUC) Energy Resources and Environment Committee as the Chairman of its environmental subcommittee. While at the Commission, reviewed and voted on Illinois Bell Price-Cap plan, Peoples Gas PBR and MidAmerican Electric PBR. Made over one-hundred presentations and speeches on telecommunications, electricity, and natural gas industry topics. Served on the President's Global Climate Change Task Force, the Federal Energy Regulatory Commission's Pipeline Competition Task Force, and as a member of the Harvard Electric Policy Group.

International:

In addition to regular Commission duties, served as part of the United States Energy Association and USAID educational effort in Eastern Europe. Lectured in Argentina, the Czech Republic, Latvia, Poland, Romania, Russia, and Slovakia. Participated in two joint USEA/USAID and World Bank seminars in Vienna providing advanced regulatory training. In addition, the Illinois Commission has hosted visits with the above-listed countries as well as Bulgaria, Lithuania, and Estonia.

## PROFESSIONAL ACTIVITIES

1985-1998      *Chairman of the Board*, Center for Regulatory Studies, Inc.

1985-1992      *President*, Center for Regulatory Studies, Inc.

One of three cofounders of the Center. Involved in fundraising, organization, and program development. Focused on the development of statewide energy planning options for the State of Illinois, the introduction of competition into the natural gas market, environmental issues in Illinois, and competition in the Illinois telecommunications market. Conducted research on the use of competitive bidding and avoided-cost pricing mechanisms to acquire electricity supplies, the role of demand-side management in electricity supply planning, and the use of incentive mechanisms and the role of incentive regulation in our current regulatory environment.

1988-1992      *Research Scientist*, Argonne National Laboratory

Served as an economic advisor to the office of Fossil Energy at DOE. Investigated possible ways to promote development of innovative emission control technologies in the electric utility industry as part of the Presidential Task Force on Regulatory Relief directed by Vice President Bush. Involved in writing a chapter in the State of Science and Technology Report No. 25 of the National Acid Precipitation Assessment Program (NAPAP) concerning the use of tradable emission permits to control acid rain. Performed work on incentive mechanisms to promote clean coal technology and the trading of greenhouse gas emissions.

Performed research on the nature of individual's risk perception regarding nuclear waste deposits on behalf of the office of Radioactive Civilian Waste Management at the Department of Energy.

1988-1990      *President Elect and President*, Illinois Economic Association

Organized the 1989 Illinois Economic Association annual meeting and presided over the meetings.

1989-            *Instructor*, NARUC Introductory Regulatory Training Program

Instructed new public utility commission employees from various state commissions on the basic economic issues confronting regulators.

1986-1992      *Lecturer in Economics*, Department of Economics, Illinois State University

Taught both graduate and undergraduate public utility courses, Money and Banking, as well as introductory courses.

- 1984-1991 *Instructor in Economics*, Parkland Community College, Champaign, Illinois  
Taught both Principles of Economics I and II, with a typical course load of two sections of 35-40 students per class.
- 1984-1986 *Teaching Assistant*, University of Illinois, Champaign, Illinois  
Taught both Principles of Economics and Introduction to Econometrics. In the spring semester of 1985, was the supervisory assistant in charge of coordinating the Economics 101 assistance for Professor Fred Gotthiel.
- 1982-1988 Graduate School, University of Illinois, Champaign, Illinois  
Completed all coursework towards Ph.D. and defended dissertation on 6/12/88. Fields of specialization were: Monetary Theory and Policy, Macroeconomic Theory, and the History of Economic Thought.
- 1983-1985 *Consultant*, Select Joint Subcommittee on Regulatory Reform, Illinois Legislature  
Investigated the effects of the AT&T divestiture and FCC decisions upon Illinois telephone utilities and assisted in identifying issues that require legislative action. Presentation of issue reports to the telecommunications subcommittee and served on the local exchange subgroup in developing recommendations for a new Illinois Public Utilities Act.
- 1980-1982 *Consultant*, Governor's Sunset Task Force on Utility Regulatory Reform, Department of Energy and Natural Resources  
Delivered both written and oral reports on the issues of power plant certification, monitoring of construction costs, and allocation of power plant cancellation costs.
- 1980-1983 *Economic Analyst III*, Policy Analysis and Research Division, Illinois Commerce Commission  
  
Conducted research investigating the development and use of incentive mechanisms in utility regulation. Prepared and presented testimony on the use of incentive mechanisms in power plant construction.  
  
Conducted research and assisted in developing testimony on the cost of service for electric generation to meet PURPA requirements.  
  
Assisted in the development of proposals for PURPA innovative rates projects on productivity and time-of-use pricing; cost-benefit analysis. Assisted in the managing of consultants conducting the TOD cost-benefit study. Prepared and presented testimony on the time-of-day pricing standards to meet the PURPA requirements.  
  
Prepared and presented testimony regarding the use of q-ratios in determining rates-of-return for Illinois Bell Telephone Company and testimony regarding appropriate cost and pricing methodology and philosophy for Illinois Bell Telephone Company.

Assisted in the investigation of capacity expansion, lifeline rates, efficiency measurement, and impact of deregulation in electric generation, water rate design; and investigated the impact of investment tax credit changes on utilities.

- 1978-1979      *Senior Research Associate*, National Regulatory Research Institute  
Ohio State University  
Conducted research in the areas of telecommunication licensee contract fees and cost of service, the effects of budget billing plans on utilities and consumers, and methods of monitoring fuel adjustment clauses.
- Assisted in research regarding marginal and average cost pricing, time-of-use pricing, power plant productivity, and the examination of cost and price differences of Ohio municipal gas rates.
- Assisted in the management of consultant subcontractors as well as supervising the presentation of cost and load research seminars.
- 9/79-12/79      *Lecturer in Economics*, Department of Economics, Ohio State University  
Taught Macro Economic Principles to a class of approximately 100 students.
- 1977-1978      *Cost Analyst*, Action Computing, Laramie, Wyoming  
Developed cost data for competitive pricing of bids for the provision of computer services provided by Action Computing.
- 1976-1977      *Graduate Research Assistant*, University of Wyoming, Laramie, Wyoming  
Assisted professors in conducting research and teaching of Principles of Economics, while completing a Masters degree in Economics with specialization in Public Utility Economics and Industrial Organization Theory.

## AWARDS

- 1986              Alpha Lambda Delta Outstanding Teacher of Freshman Award  
at the University of Illinois
- 1983              Thrift Prize at the University of Illinois for the paper entitled "*The Allocation of Savings: An Investigation of Portfolio Composition of Chicago Households*"

## PROFESSIONAL SOCIETY ACTIVITIES

Alpha Lambda Delta Honorary Society  
American Economic Association  
Transportation Public Utilities Group of American Economic Association  
Illinois Economic Association

## PUBLICATIONS

“The Essential Role of Earnings Sharing in the Design of Successful Performance-based Regulation Programs,” forthcoming in *Towards Market Based Pricing of Electricity*, Kluwer Academic Publishers, London, UK. (with Carl R. Peterson)

“Is There a Rational Path to Salvaging Competition?” forthcoming in *The Electricity Journal*. (with Carl R. Peterson)

“Further State Electric Deregulation can be Guided by Gas Experience,” forthcoming in *Natural Gas and Electric Power Industries Analysis*, R.E. Willett (ed), Financial Communications Company, Houston, TX, 2002, 343-372. (with Carl R. Peterson)

“Critical Issues in Consumer States Include Unbundling and Performance-based Regulation,” in *Natural Gas Industry Analysis*, R.E. Willett (ed.), Financial Communications Company, Houston, 2000, 321-343.

“Are Residential Local Exchange Rates Too Low? Drivers to Competition in the Local Exchange Market and the Impact of Inefficient Prices,” with A. Ros, in *Expanding Competition in Regulated Industries*, M. Crew (ed.), Kluwer Academic Publishers, Boston/Dordrecht/London, 2000, 149-168.

*Essential Facilities, Economic Efficiency, and a Mandate to Share: A Policy Premier*, with K. Gordon, W. Taylor and A. Ros, Edison Electric Institute, January 2000.

“Pipeline Regulation Must go to One Extreme or Another,” *Natural Gas*, Vol. 15:9, April, 1999.

“Is There a Rational Path to Implementing Competition?” *The Electricity Journal*. Vol. 9:1 Jan-Feb 1996.

“Changing Regulatory Incentives,” in *Reinventing Electric Utility Regulation*, G. Enholm and J. Robert Malko (Eds.), Public Utility Reports, Inc. Vienna, VA 1995.

“The Evolution of the “Investment Systems:” Keynes’ Theory of Employment and Money Revisited.” *Review of Social Economy*, Volume 51:1, Spring 1993.

Discussant. “The Urban Ozone Abatement Problem,” in *Cost Effective Control of Urban Smog*. R. Kosobud, W. Testa, and D. Hansan (Eds.) Federal Reserve Bank of Chicago. November 1993.

“Strategic Use of Incentive Mechanisms as a Regulatory Policy Tool.” *The Electricity Journal*. Vol. 5, No. 10, December 1992.

“Electric Utilities: Control Cost Reducing Methods,” Chapter 7 in *Technologies and Other Measures for Controlling Emissions: Performance, Costs and Applicability*, David South (ed.). National Acid Precipitation Assessment Program, State-of-Science/Technology Report 25, January 1990.

“The Quantity Theory of Money of J. M. Keynes: From the Indian Currency to the General Theory” with Christopher Marme in *Perspectives on the History of Economics Thought*. D., Walker (ed.), Edward Edgar Publishing Co., Brookfield, VT (1989).

*Computer Assisted Regulatory Analysis and Its Potential Application to the Colorado Public Utilities Commission* with M. S. Gerber. The National Regulatory Research Institute (1979).

*Towards an Analysis of Telephone License Contracts and Measured Rates* with A. G. Buckalew, and D. Z. Czamanski. The National Regulatory Research Institute (1979).

*Budget Billing Plans for Electric and Gas Utilities: An Analysis and Some Recommendations for Change* with J-M Guldman, and C. Odle. The National Regulatory Institute (1979).

## **PUBLICATIONS: CONFERENCE PAPERS**

*The Efficiency of the Inefficient Firm Standard in Setting Network Access Charges* with Carl Peterson. Prepared for 20<sup>th</sup> Annual Advanced Workshop in Regulation and Competition, Rutgers University (May 25, 2001).

*Designing the New Regulatory Compact: The Role of Market Processes in the Design of Dynamic Incentives* with Carl Peterson. Presented at *Incentive Regulation: Making it Work*, Advanced Workshop in Regulation and Competition, Rutgers University (January 19, 2001).

*The Use of Nontraditional Universal Service Programs in a Competitive Local Exchange Market* with Cindi Schieber. Presented at the National Association of Regulatory Commissioners Biennial Conference (1996).

*Incentive Mechanisms as a Strategic Option for Acid Rain Compliance* with D. W. South, and K.A. Bailey. Presented to the Future of Incentive Regulation in the Electric Utility Industry (November 1991).

*Role of Emission Allowances in Utility Compliance Decisions* with D. W. South, and K. A. Bailey. Presented at the Eighth Annual International Pittsburgh Coal Conference (October 1991).

*Clean Coal Technology and Emissions Trading: Is There a Future for High Sulfur Coal Under the Clean Air Act Amendments of 1990?* With K. A. Bailey, and D.W. South. P. R. Dugan, D. R. Quigley, Y. A. Attia (eds.), *Processing and Utilization of High Sulfur Coals IV*, proceedings of the Fourth International Conference on Processing and Utilization of High Sulfur Coals, Idaho Falls, ID., sponsored by the U.S. Department of Energy, et al., Elsevier Science Publishing Co. Inc., New York, NY.



*Incentive Mechanisms as a Strategic Option in the Design of Regulatory Policies* with D. W. South. Presented at National Association of Regulatory Utility Commissioners, Committee on Electricity, Subcommittee on Strategic Issues, San Francisco (July 1991).

*Achieving Efficiency Through Emissions Trading: Paradoxes, Misconceptions and Market Performance* with D. W. South. Presented at National Association of Regulatory Utility Commissioners, Committee on Electricity, Subcommittee on Environment and Efficiency, San Francisco (July 1991).

*To Mitigate or Not To Mitigate: Regulatory Treatment of Emissions Trading Decisions and Its Effect on Marketplace Incentives* with D. W. South. Presented at 84th Annual Meeting and Exhibition, Air and Waste Management Association, Vancouver, British Columbia (June 1991).

*Regulatory Incentives: A Means to Accelerate Clean Coal Technology Adoption for Acid Rain Compliance* with D. W. South. Presented at Compliance and Emissions Trading Strategies: Facing Acid Rain Tradeoffs, Center for Regulatory Studies, Chicago, IL (June 1991).

*Implementing Emissions Trading: Regulatory and Compliance Planning Issues* with D. W. South. Presented at the Workshop on Implementing the Electric Utility Provisions of the Clean Air Act Amendments of 1990: Midwestern State Public Utility Commission Issues, National Regulatory Research Institute, Chicago, IL (May 1991).

*Clean Coal Technology and Acid Rain Compliance: An Examination of Alternative Incentive Proposals* with D. W. South. Presented at the American Power Conference, Chicago, IL. (April 1991).

*Emissions Trading: Implications for Regulatory Policy* with D. W. South. Presented at the 20th Annual Meeting of the Illinois Economic Association, Chicago, IL (October 1990).

*The Future of Clean Coal Technology: An Evaluation of the Proposed CCT Incentives in S. 1630* with D. W. South. Presented at the 20th Annual Meeting of the Illinois Economic Association, Chicago, IL (October 1990).

*The Future of Clean Coal Technology: An Evaluation of the Proposed Incentives in S. 1630* with D. W. South. Presented at the Seventh Annual International Pittsburgh Coal Conference, Pittsburgh, PA (September 1990).

*The Future of Clean Coal Technology: An Evaluation of the Proposed Incentives in S. 1630* with D. W. South. Presented at the Seventh NARUC Biennial Regulatory Information Conference, Columbus, OH (September 1990).

*Emissions Trading: Implications for Regulatory Policy* with D. W. South. Presented at the Seventh NARUC Biennial Regulatory Information Conference, Columbus, OH (September 1990).

*Alternatives to Rate of Return Regulation in the Telephone Industry: A Survey of the New Incentive Mechanism Proposals.* Illinois Economic Association (October 1988).

*Market Structures in the Local Communication Market: Fact and Fiction.* Presented at the Intra-MSA Telecommunication Conference (September 1988).

*The Quantity Theory of Money of J. M. Keynes: From the Tract to the General Theory* with Christopher Marme. Proceedings of the 14th Annual Meeting of the History of Economics Society (June 1987).

*Competitive Pricing and the Local Telephone Service Market: Some Problems of Balancing Equity and Efficiency.* Illinois Economic Association (October 1986).

*The Impact of Self-Selective Tariffs in Telecommunications Markets: The Design of an Experiment* with M. J. Morey, and K. Costello. Proceedings of the Fifth NARUC Biennial Regulatory Conference (September 1986).

"An Incentive Plan to Control Power Plant Construction Costs," Third NARUC Biennial Information Conference (September 1982).

*The Measurement of Efficiency and the Application of Incentives to Regulated Industries* with K. Costello. Proceedings of the Second NARUC Biennial Regulatory Information Conference (September 1980).

## **PUBLICATIONS: REPORTS**

*Examination of Incentive Mechanisms for Innovative Technologies Applicable to Utility and Nonutility Power Generators,* Environmental Assessment and Information Sciences Division, Argonne National Laboratory, publication ANL/EAIS/TM-2, (August 1993).

*Avoided Cost Pricing: Theoretical Issues and Problems in Estimation.* Prepared for the Illinois Department of Energy and Natural Resources (June 1990).

*Least-Cost Planning in the Natural Gas Industry: An Overview of the Issues.* Prepared for the Illinois Department of Energy and Natural Resources (December 1989).

*Equity Issues in a Least-Cost Planning Environment.* Prepared for the Illinois Department of Energy and Natural Resources (October 1989).

*An Analysis of Prudency Evaluation Within a Least-Cost Planning Framework: The Case of Natural Gas Planning.* Prepared for the Illinois Department of Energy and Natural Resources (October 1989).

*Consumer Choice Under Risk and Uncertainty: The Role of Risk Perceptions as a Causal Factor in Consumer Decisionmaking.* Prepared for the Energy and Environmental Systems Division, Argonne National Laboratory for U.S. DOE Office of Civilian Radioactive Waste Management (April 1989).

*The Effects of Alternative Definitions of the Obligation to Serve on the Least-Cost Plans of Local Gas Distribution Companies.* A Report for the Northern Illinois Alliance to Support Least-Cost Utility Planning (February 1989).

*A Complete and Economic Study on Proposed IPCB Regulation R89-9: with J. L. Carlson, M. J. Morey, R. C. Hemphill, and W. Mikucki Waste Prohibitions.* Prepared for the Illinois Department of Energy and Natural Resources.

*The Role of Prices and the Pricing System Within the Regulatory Process.* Prepared for the Illinois Department of Energy and Natural Resources (October 1986).

*An Evaluation of the Minimization of Total Regional Requirements as an Objective in State-Wide Utility Planning Process.* For the Illinois Department of Energy and Natural Resources (November 1986).

*The Economic Incentives Provided by Section 9-215 (Excess Capacity Rule) of Proposed Illinois Public Utility Act.* A Memorandum to the Joint Committee (June 1985).

*An Analysis of the Issue of Cross-Subsidization in the Local Telephone Market.* Prepared for the Joint Committee on Public Utility Regulation (May 1985).

*A Survey of State Regulatory Actions and Legislative Developments Resulting from the Divestiture of AT&T.* Prepared for the Joint Committee on Public Utility Regulations, Illinois State Legislature (March 1985).

*A Memorandum to the Telecommunications Policy Working Group on the Concepts of Competing, Competition and Market Structure* (September 1984).

*The Evolution of Competition in the Telephone Industry and the Critical Issues Facing the Illinois Legislature on the Deregulation of Telephone Service.* Prepared for the Select Joint Subcommittee on Regulatory Reform (July 1984).

*The Review of Existing Power Plant Certificates, Monitoring of Power Plant Costs and the Allocation of Power Plant Cancellation Costs.* Presented to the Sunset Task Force on Utility Regulatory Reform (January 1984).

*Utility Efficiency Report Subtask IX - Final Report in Incentive Mechanisms.* Prepared for the Illinois Commerce Commission (May 1981).

*Utility Efficiency Report Subtask IV - Evaluation and Choice of Incentive Mechanisms.* Illinois Commerce Commission for the U.S. Department of Energy (July 1980).

*Utility Efficiency Report Subtask II - Review of Existing Incentive Mechanisms.* Illinois Commerce Commission for the U.S. Department of Energy (March 1980).

*Estimating Fuel Prices, a Memorandum to the Virginia State Corporation Commission* with K. Kelly, National Regulatory Research Institute (1979).

*Summary of Regulatory Commission Activities on Power Plant Productivity.* The National Regulatory Research Institute draft report for the U.S. Department of Energy (1979).

## **UNPUBLISHED PAPERS**

*Designing the New Regulatory Contract: Using the Market Process to Design Regulatory Mechanisms,* Draft Paper, NERA, Chicago, IL (November 2000).

*The Reichbanks' Reaction Function During the Hyperinflation: An Alternative Test of the Causes of the Hyperinflation.* (December 1987)

*How Real Was The German Hyperinflation: A Reexamination of the Demand for Money Employing a Fully Specified Demand Function.* (October 1987)

*Bubbles During the Hyperinflation: An Empirical Test of the Interaction of the Double Bubble in Exchange Markets and Prices in Germany.* (September 1987)

*Evaluating the Causes of the Hyperinflation: A Reexamination of Monetary Policy and Theoretical Debates Concerning the Factors Affecting the German Money Supply from 1919 to 1923.* (August 1987)

*Decentralization vs. Coordination: An Examination of the Options for Deregulating the Electric Supply Industry.* (June 1985)

*Applied Fairness Theory: The Case of Allocating Canceled Power Plant Costs.* (October 1983)

*Is the Rational Expectations Equilibrium Business Cycle Theory a Neo-Austrian Theory?* (October 1983)

*An Examination of the Policy Alternatives for a Small Open Economy Experiencing a Trade Boom: The Case of Sterilization, Credit Rationing and Profit Taxation.* (August 1983)

*The Transmission of Monetary Shocks to Real Variables in the Business Cycle.* (July 1983)

*The Economics of Revolutions: A Club Theoretic Approach and a Case Study of England, 1642-1649.* (Summer 1983)

*Interest Rates, Market Efficiency and Expectations: The Effectiveness of Monetary Policy.* (April 1983)

*Towards Developing a Framework for Evaluating Incentive Mechanisms, Performance Measures and Institutional Choice in Deregulation.* (August 1981)

*A Critique of the Averch-Johnson Bias and a Test of Some Alternative Hypotheses.* Master Thesis submitted to the Graduate School of the University of Wyoming. (July 1978)

*An Overview of the Theories of Regulation and Pricing Policies for Regulated Industries.* The National Regulatory Institute. (1979)

## **PRESENTATIONS**

*Performance-based Regulation and the Stand-Along Distribution System,* Distribution System Planning, Maintenance and Reliability Conference, Denver, November 2000.

*The Moral Obligation to Regulate Intelligently.* Presented to the NARUC Telecommunications Staff Sub-Committee at the 112<sup>th</sup> Annual NARUC Convention, San Diego, November 2000.

*Concepts of Utility Regulation for Developing Countries,* 42<sup>nd</sup> Annual Regulatory Studies Program, Institute for Public Utilities, Michigan State University, August 2000.

*The Essential Role of Earnings Sharing in the Design of Successful Performance-Based Regulation,* Presented at EPRI's International Energy Pricing Conference, Washington, D.C. July 2000.

*Transmission Pricing: Distance-sensitive, but not Pancaked.* Presented at the EEI Transmission Pricing Conference, Washington, D.C., July 2000.

*Telecommunications Rate Rebalancing.* Presented to the NARUC Telecommunications Staff Sub-Committee at the NARUC Convention, Los Angeles, July 2000.

*Coal, Energy and Clean Air: Challenges and Opportunities,* facilitator, Illinois Department of Economic Development and Community Affairs and the Illinois Environmental Agency, Decatur, Illinois, July 2000.

*PBR Strategy Seminar,* Illinois Power Company, April 2000.

*Strategic Application of Distributed Resources,* Illinois Power Company, April 2000.

*PBR Strategy Seminar,* with Jeff Makhholm, Georgia Power Company, April 2000.

*Codes of Conduct for The Electric Industry*, presented on behalf of the Edison Electric Institute at the Commissioner Liaison Committee meeting, NARUC Winter Meeting, Washington, D.C., March 2000.

*Mergers and Acquisitions: Assessing the Trends in the Electric and Gas Industries*, Presentation to the Midwest Energy Bar Association, Kansas City, March, 2000.

*Telecommunications Industry in the Aftermath of TA96: Creating a Consistent Regulatory Framework amidst the Complexities of the Contemporary Marketplace*, Presented to the NARUC Telecommunications Staff Sub-Committee at the NARUC Annual Convention, San Antonio, November 1999.

*Cost Allocation for Affiliate Transactions*, presented on behalf of the Edison Electric Institute at the Joint Meeting of the Finance and Technology, Gas and Electric Committees, NARUC Summer Meeting, San Francisco, July 1999.

*Avoided Cost Calculation Methodologies*, presentation to Energy Sector Representatives of Romania and Bulgaria, Bucharest, Romania (Fall 1999)

*RTO and ISOs: Restructuring Options*, presentation to Energy Sector Representatives of Romania and Bulgaria, Sinaia, Romania, (Summer 1999)

*Convergence: The Utility of the Future*, Presented to Wisconsin Electric Company and Wisconsin Gas merger transition team. (1999).

*A Conflict of Paradigms: The Future Role of State Regulation of the Natural Gas Industry*. Presented to the Midwest Gas Association (November 6, 1991).

*Exit and Entry: Who Will Bear the Risk in a Competitive Natural Gas Industry*. Presented at the conference "At the Crossroads: Restructuring the Natural Gas Industry," held by the Center for Regulatory Studies (October 1991).

*"To Serve Man" - The Golden Rule or a Visit to the Twilight Zone: How to Reconcile the Obligation to Serve with Competitive Market Forces*. Presented to the Gas Policy Committee of the Illinois Commerce Commission (April 16, 1991).

*Regulatory Treatment of Emissions Trading Decisions and Their Effect on Marketplace Incentives* with D. W. South Presented at the Notice of Inquiry Public Hearing, Illinois Commerce Commission (March 1991).

*The National Energy Strategy: Impacts on the Farm Sector*. Presented to the Illinois Farm Bureau Leadership Conference (February 1991).

*Emissions Trading in the CAAA of 1990: Regulatory, Compliance Planning and Implementation Issues* with D. W. South. Presented to the Illinois Commerce Commission (January 1991).

*Obligations to Serve and Competition in the Natural Gas Industry.* Luncheon presentation at the conference "Assessing the Competitiveness of the Natural Gas Industry," held by the Center for Regulatory Studies (October 1990).

*Pricing in an Age of Opportunism: The Cost of Being a Provider of Last Resort.* Presented at the conference "Natural Gas Supply Planning: The Implications for Planning Pricing and Competition," held by the Center for Regulatory Studies (March 1990).

*Public Utility Issues: Long and Short-Term Impacts.* Presented to the Illinois Farm Bureau Leadership Conference (February 1990).

*Uncertainty in the Least-Cost Planning Process: The Case of Natural Gas.* Presented at the conference "Issues in Least Cost Planning in the Natural Gas Industry," held by the Center for Regulatory Studies (December 21, 1989).

*How Real was the German Hyperinflation: An Examination of the Factors Determining the German Money Supply, Demand and Prices Between 1920 and 1923* with M. J. Morey. Presented to the Economic History Workshop at the University of Illinois at Urbana-Champaign (December 1986).

*While at the Illinois Commerce Commission, Dr. McDermott gave over one-hundred presentations on a variety of topics in the telecommunications, electricity and natural gas industries.*

## TESTIMONY

Illinois Commerce Commission, Docket No. 02-0067, Direct Testimony on behalf of Northern Illinois Gas Company d/b/a NICOR Gas Company. Testimony evaluated the effectiveness of the NICOR's current gas procurement performance-based regulation plan. (March 8, 2002).

New York Public Service Commission, Case No. 01-E-0359, Direct Testimony on behalf of New York State Electric and Gas Corporation regarding the appropriateness of the Company's proposed Electric Price Protection Plan. (August 3, 2001)

Kansas Corporation Commission, Docket No. 01-WSRE-436-RTS, Cross-Answering Testimony on behalf of the City of Topeka, Kansas, regarding cost causation issues and rate parity. (April 17, 2001)

North Dakota Public Service Commission, Case No. PU-400-00-195, Direct and Rebuttal testimony on behalf of Otter Tail Power Company regarding application to operate under a performance-based regulation plan. (Fall 2000)

North Dakota Public Service Commission, Case No. PU-401-00-36, Direct and Rebuttal testimony on behalf of Xcel Energy regarding application to operate under a performance-based regulation plan. (Fall 2000)

Federal Energy Regulatory Commission, Docket No. EL99-90-000, *City of Wichita, Kansas v. Western Resources, Inc.* Direct testimony on behalf of the City of Topeka, Kansas focusing on cost causation issues and rate parity. (September, 2000)

Indiana Utility Regulatory Commission, Cause No. 41753, Direct testimony on behalf of Southern Energy regarding approval of certification of power plant under reduced regulation. (August 2000)

California Public Utilities Commission, Application A.00-06-032, Direct and rebuttal testimony on behalf of Southern California Gas Company regarding the appropriateness of peaking rate for gas services. (Fall 2000).

Illinois Commerce Commission, Docket No. 99-0013, Rebuttal testimony on behalf of Commonwealth Edison regarding appropriate treatment of unbundled rates for meter service. (June 5, 2000)

Indiana Utility Regulatory Commission, Cause No. 41590, Rebuttal testimony on behalf of Southern Energy regarding approval of certification of power plant under reduced regulation. (June 2, 2000)

Testimony to Iowa General Assembly concerning electricity deregulation. (Spring 2000)

Kentucky Public Service Commission, Case No. 2000-095, Testimony on behalf of LG&E Energy Corp. regarding approval of a merger. (March 15, 2000)

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